

**CARTER COUNTY SCHOOL DISTRICT  
BOARD OF EDUCATION**

**FINANCIAL REPORT  
JUNE 30, 2013**

**Carter County School District  
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For the Year Ended June 30, 2013**

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DONALD R. GOSSETT & COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Carter County School District  
Grayson, Kentucky

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carter County School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these basic financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 4 through 7 and 14 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carter County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal

awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2013, on my consideration of Carter County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carter County School District's internal control over financial reporting and compliance.

*Donald R. Gossett & Company, LLC*

Donald R. Gossett & Company, LLC  
Certified Public Accountant

Ironton, Ohio  
November 15, 2013

**CARTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FISCAL YEAR ENDED JUNE 30, 2013**

As management of the Carter County School District (District), I offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. I encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning net position for unreserved Governmental Activities was \$1,517,251 ending the Fiscal Year on June 30, 2012.
- The ending net position for Governmental Activities increased \$250,295 to a balance of \$1,767,546 ending the Fiscal Year on June 30, 2013.
- The district attributes the increase of unreserved net position to a decrease of expenditures in the amount of \$1,832,547 in the general fund during the 2013 year.
- The beginning district-wide net position including capital assets and related long term debt was \$20,107,978 ending the Fiscal Year June 30, 2012.
- The ending district-wide net position decreased \$1,744,973 to \$18,273,005 ending the Fiscal Year June 30, 2013.
- The decrease in district-wide net assets is due to depreciation of assets and bonded debt exceeding capital outlays.
- The fundable average daily attendance for the Fiscal Year ended June 30, 2012 was 4,177.
- The fundable average daily attendance decreased to 4,175 for the 2013 Fiscal Year.
- During the 2013 Fiscal Year Carter County Board of Education expended \$16,088,878 for capital projects that included the construction of 2 new Elementary Schools. Both Schools were placed in service in August of 2013.

**OVERVIEW OF FINANCIAL OF STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements consist of three basic components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The District-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's position and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed position and related debt are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is my food service operations. All other activities of the district are included in the governmental funds. The basic governmental fund financial statements can be found on pages 10-13 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-36 of this report.

## **DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$18,273,005 million as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### **Net Position for the period ending June 30, 2013 and June 30, 2012**

A comparison of June 30, 2013 and June 30, 2012 government wide net position is as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current Assets	\$ 6,195,224	\$ 21,473,372
Noncurrent Assets	54,402,749	43,186,674
Total Assets	<u>\$ 60,597,973</u>	<u>\$ 64,660,046</u>
Current Liabilities	\$ 3,795,078	\$ 4,927,938
Noncurrent Liabilities	39,267,397	39,624,132
Total Liabilities	<u>\$ 43,062,475</u>	<u>\$ 44,552,070</u>
Net Position		
Investment in capital assets(net of debt)	\$ 13,046,140	\$ (308,483)
Restricted for Capital Projects	2,721,812	18,218,909
Restricted for other purposes	224,623	-
Unrestricted	<u>1,542,923</u>	<u>2,197,550</u>
Total Net Position	<u>\$ 17,535,498</u>	<u>\$ 20,107,976</u>



## Comments on Budget Comparisons

- The District's total revenue for the fiscal year ended June 30, 2013, net of Interfund transfers was \$47,335,317
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$6,933,353 more than budget.
- General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being \$6,195,697 more than budget.
- The significant difference in line items for both revenues and expenditures was a result of unbudgeted on-behalf-of payments made by the State of Kentucky for employee health insurance and retirement benefits. These are recorded as both revenue from the state and expenditures for my employee's benefits. The amount I recorded both as revenue and as expenditures was \$6,781,925. The total cost of all programs and services was net of debt service and fund transfers.

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2013 and 2012, respectively.

	<b>2013</b>	<b>2012</b>
	<b>Amount</b>	<b>Amount</b>
<b>Revenues:</b>		
Taxes	\$ 5,681,378	\$ 5,776,310
State Aid-Formula Grants	28,641,983	28,861,305
Operating Grants	8,879,024	11,983,212
Capital Grants and Contributions	3,274,536	-
Charges for Services	190,310	391,977
Investment Earnings	65,206	116,114
Other	602,880	390,665
<b>Total revenues</b>	<b>47,335,317</b>	<b>47,519,583</b>
<b>Expenses:</b>		
Instruction	25,897,862	27,077,223
Student Support Services	1,969,403	2,013,783
Staff Support	1,052,880	1,905,825
District Administration	603,459	672,521
School Administration	2,095,486	1,991,919
Business Support	832,021	709,358
Plant Operations	7,482,010	5,183,675
Student Transportation	3,500,530	3,712,627
Food Service Operations	2,750,929	2,671,920
Community Support	433,749	447,137
Facility Acquisition and Construction	668,189	-
Interest on Long Term Debt	1,752,088	-
Other	41,684	2,857,046
<b>Total expenses</b>	<b>49,080,290</b>	<b>49,243,034</b>
<b>Revenue over (under) expenses</b>	<b>\$ (1,744,973)</b>	<b>\$ (1,723,451)</b>

## Revenue

The majority of revenue was derived from state-aid formula grants funding (61%) with local taxes making up 12% of total revenue.

**School Allocation**

Regular Instruction accounts 53% for of the school level expenditures.

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1.318 million in contingency in the current 2014 school year. Significant Board action that impacts the finances includes 1% increase for certified and classified salary schedules.

Questions regarding this report should be directed to the Superintendent, Ronnie Dotson, (606) 474-6696, or to Jerry A. Lyons, Business Office Manager, (606) 474-6696, or by mail at 228 South Carol Malone Blvd., Grayson, KY 41143.

**Carter County School District**  
**Statement of Net Position**  
**June 30, 2013**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b><u>Current assets</u></b>			
Cash and equivalents	\$ 4,285,644	\$ 411,015	\$ 4,696,659
Investments held for the retirement of debt	324,591	-	324,591
Accounts receivable:			
Taxes	171,191	-	171,191
Fiduciary	1,189,175	-	1,189,175
Prepaid expense	224,623	-	224,623
Inventories	-	55,818	55,818
<b>Total current assets</b>	<u>6,195,224</u>	<u>466,833</u>	<u>6,662,057</u>
<b><u>Noncurrent Assets</u></b>			
Nondepreciated capital assets:			
Land	1,689,724	-	1,689,724
Depreciated capital assets			
Land improvements	248,262	-	248,262
Buildings and improvements	68,619,711	-	68,619,711
Furniture and equipment	7,270,161	821,712	8,091,873
Less: accumulated depreciation	(24,026,255)	(543,607)	(24,569,862)
Bond issuance cost	601,146	-	601,146
Less: accumulated amortization	-	-	-
<b>Total Noncurrent Assets</b>	<u>54,402,749</u>	<u>278,105</u>	<u>54,680,854</u>
<b>Total Assets</b>	<u>\$ 60,597,973</u>	<u>\$ 744,938</u>	<u>\$ 61,342,911</u>
<b>LIABILITIES</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 760,551	\$ 7,431	\$ 767,982
Unamortized bond premium	101,266	-	101,266
Accrued payroll and related expenses	289,087	-	289,087
Deferred revenues	415,872	-	415,872
Interest payable	295,462	-	295,462
Current portion of bond obligations	1,750,000	-	1,750,000
Current portion of accrued sick leave	182,840	-	182,840
<b>Total current liabilities</b>	<u>3,795,078</u>	<u>7,431</u>	<u>3,802,509</u>
<b><u>Noncurrent Liabilities</u></b>			
KSBIT assessment	90,000	-	90,000
Non current portion of bond obligations	37,791,397	-	37,791,397
Noncurrent portion of accrued sick leave	1,386,000	-	1,386,000
<b>Total noncurrent liabilities</b>	<u>39,267,397</u>	<u>-</u>	<u>39,267,397</u>
<b>Total liabilities</b>	<u>43,062,475</u>	<u>7,431</u>	<u>43,069,906</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	13,046,140	278,105	13,324,245
Restricted for:			
Capital projects	2,721,812	-	2,721,812
Non-spendable prepaids	224,623	-	224,623
Non-spendable inventories	-	55,818	55,818
Unrestricted	1,542,923	403,584	1,946,507
<b>Total Net Position</b>	<u>\$ 17,535,498</u>	<u>\$ 737,507</u>	<u>\$ 18,273,005</u>

The accompanying notes to the financial statements are an integral part of this statement.

**Carter County School District  
Statement of Activities  
For the Year Ended June 30, 2013**

Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instructional	\$ 25,897,862	\$ -	\$ 5,495,234	\$ -	\$ (20,402,628)	\$ -	\$ (20,402,628)
Student support services	1,969,403	-	276,230	-	(1,693,173)	-	(1,693,173)
Staff support services	1,052,880	-	24,411	-	(1,028,469)	-	(1,028,469)
District administration	603,459	-	-	-	(603,459)	-	(603,459)
School administration	2,095,486	-	-	-	(2,095,486)	-	(2,095,486)
Business support services	832,021	-	21,795	-	(810,226)	-	(810,226)
Plant operation and maintenance	7,482,010	31,716	58,295	-	(7,391,999)	-	(7,391,999)
Student transportation	3,500,530	-	4,602	419,164	(3,076,764)	-	(3,076,764)
Food services	763	-	-	-	(763)	-	(763)
Community service operations	433,749	-	433,060	-	(689)	-	(689)
Facility acquisition and construction	668,189	-	-	2,855,372	2,187,183	-	2,187,183
Interest on long-term debt	1,752,088	-	-	-	(1,752,088)	-	(1,752,088)
Amortization bond issue cost	41,684	-	-	-	(41,684)	-	(41,684)
Total governmental activities	46,330,124	31,716	6,313,627	3,274,536	(36,710,245)	-	(36,710,245)
Business-type activities:							
Food Service	2,750,166	158,593	2,565,398	-	-	(26,175)	(26,175)
Total business-type activities	2,750,166	158,593	2,565,398	-	-	(26,175)	(26,175)
Total primary government	\$ 49,080,290	\$ 190,309	\$ 8,879,025	\$ 3,274,536	(36,710,245)	(26,175)	(36,736,420)
General revenues:							
Taxes					5,681,378	-	5,681,378
State grants					28,641,983	-	28,641,983
Investment earnings					61,230	3,976	65,206
Miscellaneous					602,880	-	602,880
Extraordinary items:							
KSBIT					(90,000)	-	(90,000)
Total general revenues, extraordinary items, and transfers					34,897,471	3,976	34,901,447
Change in net position					(1,812,774)	(22,199)	(1,834,973)
Net position - beginning of year					19,348,272	759,706	20,107,978
Net position - ending					\$ 17,535,498	\$ 737,507	\$ 18,273,005

The accompanying notes to the financial statements are an integral part of this statement.

**Carter County School District  
Balance Sheet  
Governmental Funds  
June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,214,433	\$ -	\$ 3,061,606	\$ 9,605	\$ 4,285,644
Accounts receivable					
Taxes	171,191	-	-	-	171,191
Fiduciary	180,350	1,008,826	-	-	1,189,176
Interfund	714,544	-	-	-	714,544
Prepaid expense	224,623	-	-	-	224,623
Total assets	<u>\$ 2,505,141</u>	<u>\$ 1,008,826</u>	<u>\$ 3,061,606</u>	<u>\$ 9,605</u>	<u>\$ 6,585,178</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 265,668	\$ 155,089	\$ 339,794	\$ -	\$ 760,551
Accrued payroll and related expenses	289,087	-	-	-	289,087
Interfund payable	-	714,544	-	-	714,544
Deferred revenue	-	139,193	-	-	139,193
Sick leave payable	182,840	-	-	-	182,840
Total liabilities	<u>737,595</u>	<u>1,008,826</u>	<u>339,794</u>	<u>-</u>	<u>2,086,215</u>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Capital projects	-	-	2,721,812	-	2,721,812
Debt Service	-	-	-	9,605	9,605
Unassigned	1,767,546	-	-	-	1,767,546
Total fund balances	<u>1,767,546</u>	<u>-</u>	<u>2,721,812</u>	<u>9,605</u>	<u>4,498,963</u>
Total liabilities and fund balances	<u>\$ 2,505,141</u>	<u>\$ 1,008,826</u>	<u>\$ 3,061,606</u>	<u>\$ 9,605</u>	<u>\$ 6,585,178</u>

The accompanying notes to the financial statements are an integral part of this statement.

**Carter County School District**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2013**

Total fund balance, governmental funds	\$ 4,498,963
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Investments held for future bond maturity	4,136,515
Bond issuance costs	601,146
Cost of capital assets	77,827,857
Accumulated depreciation	(24,026,255)

Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds payable	(43,630,000)
Accrued interest on bonds	(295,462)
Unamortized bond premiums	(101,266)
KSBIT	(90,000)
Accrued sick leave	(1,386,000)

Net Position of Governmental Activities	<u>\$ 17,535,498</u>
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**Carter County Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 4,734,804	\$ -	\$ -	\$ -	\$ 946,574	\$ 5,681,378
Earnings on investments	27,596	3	24,234	-	-	51,833
Intergovernmental - state	28,641,983	1,707,459	-	763,006	2,511,530	33,623,978
Intergovernmental - federal	199,188	4,599,086	-	-	-	4,798,274
Other sources	59,675	7,078	3,813	-	-	70,566
Total revenues	<u>33,663,246</u>	<u>6,313,626</u>	<u>28,047</u>	<u>763,006</u>	<u>3,458,104</u>	<u>44,226,029</u>
<b>EXPENDITURES</b>						
Instruction	20,223,990	5,561,084	-	-	-	25,785,074
Student support services	1,682,376	276,230	-	-	-	1,958,606
Staff support services	1,335,146	24,411	-	-	-	1,359,557
District administration	524,586	-	-	-	-	524,586
School administration	2,094,764	-	-	-	-	2,094,764
Business support services	810,226	21,795	-	-	-	832,021
Plant operation and maintenance	3,889,011	58,295	2,612,133	-	-	6,559,439
Student transportation	3,439,327	4,602	-	-	-	3,443,929
Food services	763	-	-	-	-	763
Community service operations	689	433,060	-	-	-	433,749
Facilities acquisition and construction	-	-	13,476,745	-	-	13,476,745
Debt service:						
Principal	-	-	-	1,327,488	-	1,327,488
Interest	-	-	-	2,064,782	-	2,064,782
Total Expenditures	<u>34,000,878</u>	<u>6,379,477</u>	<u>16,088,878</u>	<u>3,392,270</u>	<u>-</u>	<u>59,861,503</u>
Excess (deficiency) of revenues over expenditures	<u>(337,632)</u>	<u>(65,851)</u>	<u>(16,060,831)</u>	<u>(2,629,264)</u>	<u>3,458,104</u>	<u>(15,635,474)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	685,042	66,831	563,734	2,568,531	-	3,884,138
Transfers out	(97,114)	(980)	-	-	(3,465,813)	(3,563,907)
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from sale of equipment	-	-	-	-	-	-
Total other financing sources and uses	<u>587,928</u>	<u>65,851</u>	<u>563,734</u>	<u>2,568,531</u>	<u>(3,465,813)</u>	<u>320,231</u>
Net change in fund balances	<u>250,296</u>	<u>-</u>	<u>(15,497,097)</u>	<u>(60,733)</u>	<u>(7,709)</u>	<u>(15,315,243)</u>
Fund balance - beginning, as previously reported	<u>1,517,250</u>	<u>-</u>	<u>18,218,909</u>	<u>70,338</u>	<u>7,709</u>	<u>19,743,868</u>
Fund balance - ending	<u>\$ 1,767,546</u>	<u>\$ -</u>	<u>\$ 2,721,812</u>	<u>\$ 9,605</u>	<u>\$ -</u>	<u>\$ 4,498,963</u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2013**

Net change in fund balances - total governmental funds: \$ (15,315,243)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlay exceeded depreciation in the current period. 11,305,971

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Amortization of bond issue cost	(2,784)
Amortization of bond issue premium	(43,224)
Decrease in long-term accumulated sick leave	306,678
Accrued interest payable	(49,833)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position. 2,064,782

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 10,879

Income in investment held for retirement of bonds

Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable. This item is recorded as a special item in the statement of activities as it is unusual in nature and infrequent in occurrence. (90,000)

Change in net position of governmental activities \$ (1,812,774)



**Carter County Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (with Variances)**  
**General Fund**  
**For the year ended June 30, 2013**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget favorable/ (unfavorable)</b>
<b>REVENUES</b>	<b>Original/Draft</b>	<b>Final/Working</b>	<b>Actual</b>	
<b>Taxes:</b>				
Taxes	\$ 4,688,000	\$ 4,960,000	\$ 4,734,804	\$ (225,196)
Earnings on investments	63,000	63,000	27,596	(35,404)
Other local sources	-	-	-	-
Intergovernmental - state	22,214,465	21,427,892	28,641,983	7,214,091
Intergovernmental - indirect federal	436,000	240,000	199,188	(40,812)
Intergovernmental federal	-	-	-	-
Charges for services	-	-	-	-
Other sources	53,500	39,000	59,675	20,675
Miscellaneous	-	-	-	-
Total revenues	<u>27,454,965</u>	<u>26,729,892</u>	<u>33,663,246</u>	<u>6,933,354</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	16,884,945	15,796,809	20,223,990	(4,427,180)
Student support services	1,522,474	1,301,228	1,682,376	(381,147)
Staff support services	1,004,513	1,013,460	1,335,146	(321,686)
District administration	559,417	534,873	524,586	10,287
School administration	1,723,751	1,661,838	2,094,764	(432,927)
Business support services	634,238	562,693	810,226	(247,533)
Plant operation and maintenance	3,523,608	3,609,186	3,889,011	(279,825)
Student transportation	2,964,380	3,323,294	3,439,327	(116,033)
Food services	2,300	1,800	763	1,037
Community service operations	-	-	689	(689)
Total Expenditures	<u>28,819,626</u>	<u>27,805,182</u>	<u>34,000,878</u>	<u>(6,195,697)</u>
Excess (deficiency) of revenues over expenditures	(1,364,661)	(1,075,290)	(337,632)	737,657
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in	116,000	731,000	685,042	(45,958)
Transfers out	(135,234)	(130,283)	(97,114)	33,169
Total other financing sources and uses	<u>(19,234)</u>	<u>600,717</u>	<u>587,928</u>	<u>(12,789)</u>
Net change in fund balances	(1,383,895)	(474,573)	250,296	724,868
Fund balances - beginning	1,139,814	1,550,000	1,517,250	
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,075,427</u>	<u>\$ 1,767,546</u>	<u>\$ 724,868</u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (with Variances)**  
**Special Revenue Fund**  
**For the year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Earnings on investments	\$ -	\$ -	\$ 3	\$ 3
Intergovernmental - state	1,392,804	1,538,063	1,707,459	169,396
Intergovernmental - federal	3,194,226	4,214,886	4,599,086	384,200
Other sources	2,500	6,014	7,078	1,064
Total revenues	<u>4,589,530</u>	<u>5,758,963</u>	<u>6,313,626</u>	<u>554,663</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	4,115,776	5,260,189	5,561,084	(300,895)
Student support services	-	-	276,230	(276,230)
Staff support services	21,114	21,114	24,411	(3,297)
District administration	-	-	-	-
School administration	-	-	-	-
Business support services	20,000	23,013	21,795	1,218
Plant operation and maintenance	61,615	67,792	58,295	9,497
Student transportation	48,619	49,119	4,602	44,517
Food services	-	-	-	-
Community service operations	427,406	437,736	433,060	4,676
Facilities acquisition and construction	-	-	-	-
Total Expenditures	<u>4,694,530</u>	<u>5,858,963</u>	<u>6,379,477</u>	<u>(520,514)</u>
Excess (deficiency) of revenues over expenditures	<u>(105,000)</u>	<u>(100,000)</u>	<u>(65,851)</u>	<u>34,149</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	-	-
Transfers in	105,000	100,000	66,831	(33,169)
Transfers out	-	-	(980)	(980)
Total other financing sources and uses	<u>105,000</u>	<u>100,000</u>	<u>65,851</u>	<u>(34,149)</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools  
Statement of Net Position  
Proprietary Funds  
June 30, 2013**

	<u><b>Enterprise Fund</b></u>
	<u><b>Food Service Fund</b></u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 411,014
Inventories	55,818
Total current assets	<u>466,832</u>
Non-current assets:	
Capital Assets	821,712
Less Accumulated depreciation	<u>(543,607)</u>
Total non-current assets	278,105
Total assets	<u><u>\$ 744,937</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 7,430
Total current liabilities	<u>7,430</u>
Total liabilities	<u><u>7,430</u></u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	278,105
Unrestricted	459,402
Total net position	<u><u>\$ 737,507</u></u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<u><b>Enterprise Fund</b></u>
	<u><b>Food Service</b></u>
	<u><b>Fund</b></u>
<b>REVENUES</b>	
Lunchroom sales	\$ 158,593
Total operating revenues	<u>158,593</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	1,311,252
Contractual services	46,173
Materials and supplies	1,017,687
Other operating expenses	17,752
Depreciation	<u>37,072</u>
Total Operating Expenses	<u>2,429,936</u>
Operating income (loss)	<u>(2,271,343)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	3,976
State grants	311,963
Federal grants	2,098,706
Donated commodities	<u>154,729</u>
Total non-operating revenue (expenses)	<u>2,569,374</u>
Income (loss) before contributions and transfers	298,031
Transfers in	-
Transfers out	<u>(320,230)</u>
Change in net position	<u>(22,199)</u>
Net position - beginning of year, as previously reported	759,706
Net position - ending	<u>\$ 737,507</u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools  
Statement of Cash Flows  
For the Year Ended June 30, 2013**

**Enterprise Fund  
Food Service  
Fund**

**CASH FLOW FROM OPERATING ACTIVITIES**

Cash received from:	
Lunchroom sales	\$ 158,593
Cash paid to/for:	
Employees	(1,311,252)
Supplies	(1,041,227)
Other activities	(63,926)
Net cash used in operating activities	<u>(2,257,812)</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Purchase of equipment	(228,062)
Net cash used in capital and related financing activities	<u>(228,062)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Government grants	2,565,398
Transfers in	-
Transfers out	(320,230)
Net cash provided by non-capital financing activities	<u>2,245,168</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	3,976
Net cash provided by investing activities	<u>3,976</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(236,730)

**Balance, beginning of year**

647,744

**Balance, end of year**

\$ 411,014

**Reconciliation of operating income(loss) to net cash provided  
(used) by operating activities**

Operating Loss	\$ (2,271,343)
Adjustments to reconcile operating income (loss) to cash used for operating activities:	
Depreciation	37,072
Changes in assets and liabilities:	
Inventories	1,333
Accounts payable	(24,874)
Net cash used in operating activities	<u><u>\$ (2,257,812)</u></u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools  
Statement of Net Position  
Fiduciary Funds  
June 30, 2013**

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 186,900	\$ 306,284
Account receivable	<u>-</u>	<u>17,766</u>
Total assets	<u>\$ 186,900</u>	<u>\$ 324,050</u>
<b>LIABILITIES</b>		
Due to student groups	<u>\$ -</u>	<u>\$ 611</u>
Total liabilities	<u>-</u>	<u>611</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	<u>\$ 186,900</u>	<u>\$ 323,439</u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2013**

	<u>Private Purpose</u> <u>Trust Funds</u>
<b>ADDITIONS</b>	
Fees and collections	\$ 201
Transfers in	-
Total other additions	<u>201</u>
Total additions	<u>201</u>
<b>DEDUCTIONS</b>	
Scholarships	65
Transfers out	<u>3</u>
Total deductions	68
Change in net assets	133
Net position - beginning	<u>186,767</u>
Net position - ending	<u><u>\$ 186,900</u></u>

See independent auditor's report and accompanying notes to financial statements.

**CARTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

**NOTE 1 – REPORTING ENTITY**

The Carter County Board of Education (“Board”), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Carter County School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Carter County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements:

Carter County School District Finance Corporation - On August 14, 1989, the Carter County, Kentucky, Board of Education resolved to authorize the establishment of the Carter County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Carter County Board of Education also comprise the Corporation’s Board of Directors.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Carter County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

**Basis of Presentation**

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

### **I. Governmental Fund Types**

- A. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- C. Capital Project Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  - 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  - 3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

### **II. Proprietary Fund Type (Enterprise Fund)**

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### **III. Fiduciary Fund Type (includes agency and private purpose trust funds)**

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

### **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the school year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

### **Property Taxes**

**Property Tax Revenues** – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$0.4650 per \$100 valuation for real property, \$0.4650 per \$100 valuation for business personal property, and \$0.48 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of .47% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

### **In-kind**

Local contributions, which include contributed services provided by individuals, private Districts and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

### **Cash and Cash Equivalents**

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

### **Inventories**

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

### **Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras, and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

<u>Description</u>	<u>Estimated Lives</u>
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

### **Budgetary Process**

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the –government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### **Fund Balance**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District does not have a formal minimum fund balance policy.

### **Major Special Revenue Fund**

Special Revenue

### **Revenue Source**

State, Local and Federal Grants

### **Net Position**

Net position represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

### **Operating Revenues and Expenses**

Operating Revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

### **Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### **Recently Issued and Adopted Accounting Principles**

Effective for the fiscal year ending June 30, 2013, the Board adopted GASB Statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989, FASB and AICPA Pronouncements*, which codifies all applicable GASB, Financial Accounting Standards Board ("FASB"), and Accounting Principles Board opinions dated according to the title of the statement. Additionally, for fiscal year ending June 30, 2013, the Board has implemented GASB Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **NOTE 3 - CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk - Deposits.** Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At June 30, 2013, the carrying amount of the District's cash and cash equivalents was \$5,189,843. Of the total cash balance, \$260,930 was covered by Federal Depository Insurance Corporation, \$4,929,524 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the district's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013, consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
First National Bank	\$ 9,277,089	\$ 5,196,068
Commercial Bank of Grayson	10,930	10,930
	<u>\$ 9,288,019</u>	<u>\$ 5,206,998</u>
Governmental Funds		\$ 4,285,644
Proprietary Funds		411,015
Activity Funds		493,184
		<u>\$ 5,189,843</u>

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance			Balance
<u>Governmental Activities</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
<b>Non-Depreciable Assets:</b>				
Land	\$ 1,689,724	\$ -	\$ -	\$ 1,689,724
Construction in process	8,621,535	-	8,621,535	-
<b>Depreciable Assets:</b>				
Land improvements	248,262	-	-	248,262
Buildings and improvements	47,189,620	21,430,091	-	68,619,711
Technology equipment	1,117,254	-	-	1,117,254
Machinery and equipment	187,755	-	-	187,755
Vehicles	6,239,645	364,481	638,974	5,965,152
Totals at historical cost	<u>65,293,795</u>	<u>21,794,572</u>	<u>9,260,509</u>	<u>77,827,858</u>
Less: accumulated depreciation				
Land	-	-	-	-
Land improvements	163,418	10,080	-	173,498
Buildings and improvements	17,834,161	1,202,433	-	19,036,594
Technology equipment	615,948	180,352	-	796,300
Machinery and equipment	93,288	15,127	-	108,415
Vehicles	4,091,351	459,072	638,975	3,911,448
Total accumulated depreciation	<u>22,798,166</u>	<u>1,867,064</u>	<u>638,975</u>	<u>24,026,255</u>
Government Activities				
Capital Assets-Net	<u>\$ 42,495,629</u>	<u>\$19,927,508</u>	<u>\$8,621,534</u>	<u>\$53,801,603</u>
<b><u>Business-Type Activities</u></b>				
<b><u>Depreciable Assets:</u></b>				
Food service equipment	\$ 593,650	\$ 228,062	\$ -	\$ 821,712
Less: accumulated depreciation				
Food service equipment	<u>506,535</u>	<u>37,072</u>	<u>-</u>	<u>543,607</u>
Business-Type Activities				
Capital Assets-Net	<u>\$ 87,115</u>	<u>\$ 190,990</u>	<u>\$ -</u>	<u>\$ 278,105</u>

Depreciation expense was allocated to governmental functions as follows:

Instructional	\$ 112,788
Student support services	10,797
District administration	78,874
School administration	721
Plant operation and maintenance	1,242,802
Student transportation	421,082
	<u>\$1,867,064</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 – DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the Districts future obligations to make lease payments relating to the bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$39,541,397.

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Rates</u>
2005	\$ 4,445,000	3.50%
2006	6,630,000	3.40%
2008	1,375,000	2.80%
2009	6,115,000	2.50%
2011	12,590,000	1.00%
2011	6,092,090	0.00%
2011	1,815,000	2.00%
2012	3,460,000	1.00%
2013	3,805,000	1.00%
	<u>\$ 46,327,090</u>	

A summary of long-term debt and other long-term liabilities is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
<b>Primary Government</b>					
Governmental Activities:					
Bonds and Leases Payable:					
Revenue Bonds	\$ 41,540,000	\$ 3,805,000	\$ 5,205,000	\$ 40,140,000	\$ 1,750,000
Less Deferred Amount on Refundings	<u>-</u>	<u>(321,924)</u>	<u>276,679</u>	<u>(598,603)</u>	<u>-</u>
Total Bond Payable	41,540,000	3,483,076	5,481,679	39,541,397	1,750,000
Other Liabilities:					
Accumulated unpaid sick leave benefits	1,936,062	-	367,222	1,568,840	182,840
Claims	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
Total Other Liabilities	<u>1,936,062</u>	<u>90,000</u>	<u>367,222</u>	<u>1,658,840</u>	<u>182,840</u>
Total Long-term liabilities	<u>\$ 43,476,062</u>	<u>\$ 3,573,076</u>	<u>\$ 5,572,222</u>	<u>\$ 41,200,237</u>	<u>\$ 1,932,840</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District has entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On March 5, 2013, the District issued \$3,805,000 in Refunding Revenue Bonds with an average interest rate of 2.0 percent to advance refund \$3,490,000 of outstanding 2005A Series revenue bonds. The refunding was a partial advance refunding. The net proceeds of \$3,811,924 (after \$38,902 in cost of issuance, \$48,567 in bond premium and \$5,445 in interest which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$321,924. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2026 using the effective-interest method.

The District completed the refunding to reduce its total debt service payments over the next 13 years by \$276,679. The 2005 bonds will be called on October 1, 2015. Therefore the \$3,490,000 is considered defeased.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the district, including amounts to be paid by the Commission, at June 30, 2013, or debt service (principal and interest) are as follows:

Year	CARTER COUNTY SCHOOL DISTRICT		KY SCHOOL CONSTRUCTION COMMISSION		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,284,583	\$ 1,413,498	\$ 465,417	\$ 250,899	\$ 1,750,000	\$ 1,664,397
2015	1,329,206	1,379,756	475,794	237,684	1,805,000	1,617,440
2016	1,369,828	1,342,106	490,172	223,784	1,860,000	1,565,890
2017	1,407,241	1,162,326	497,759	208,335	1,905,000	1,370,661
2018	1,455,957	1,118,457	514,043	191,395	1,970,000	1,309,852
2019	1,498,460	1,072,674	531,540	173,897	2,030,000	1,246,571
2020	1,453,351	1,020,422	306,649	154,750	1,760,000	1,175,172
2021	1,497,357	976,891	317,643	143,746	1,815,000	1,120,637
2022	1,544,879	928,716	330,121	131,265	1,875,000	1,059,981
2023	1,591,674	877,984	343,326	118,060	1,935,000	996,044
2024	1,637,940	824,899	357,060	104,327	1,995,000	929,226
2025	1,698,422	768,940	371,578	89,809	2,070,000	858,749
2026	1,758,068	709,484	386,932	74,455	2,145,000	783,939
2027	1,067,717	651,473	222,283	57,954	1,290,000	709,427
thereafter	12,970,326	1,963,285	964,674	122,921	13,935,000	2,086,206
	<u>\$ 33,565,009</u>	<u>\$ 16,210,911</u>	<u>\$6,574,991</u>	<u>\$2,283,281</u>	<u>\$ 40,140,000</u>	<u>\$ 18,494,192</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2013, consisted of the following:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Debt Service	KISTA Loan	\$ 30,283
Operating	General	Special Revenue	Grant Match	66,831
Operating	Special Revenue	General Fund	Indirect Cost	981
Operating	Capital Outlay	General Fund	Operating	418,713
Operating	Capital Outlay	Debt Service	Operating	451
Operating	Building Fund	General Fund	Debt Service	145,118
Operating	Building Fund	Construction Fund	Debt Service	363,734
Operating	Building Fund	Debt Service	Debt Service	2,537,797
Operating	Food Service	Construction Fund	Debt Service	200,000
Operating	Food Service	General Fund	Debt Service	120,230
				<u>\$3,884,138</u>

### NOTE 7 - RETIREMENT PLANS

#### Kentucky Teachers Retirement System:

*Plan Descriptions* – The Carter County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes statements and the required supplementary information for the defined benefit pension plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Rd., Frankfort, Kentucky 40601.

Funding for KTRS is provided by eligible employees who contribute 10.355% (if they were a member before July 1, 2008) and 10.855% (if they were a member on/after July 1, 2008) of their salary through payroll deductions and by the Commonwealth of Kentucky through matching contributions at the rate of 13.605% (if they were a member before July 1, 2008) and 14.105% (if they were a member on/after July 1, 2008). The contribution requirements of KTRS members and the District are established and may be amended by Kentucky Revised Statutes and the KTRS Board of Trustees. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE).

The payroll for employees covered under KTRS was \$19,413,415. For the years ended June 30, 2013, 2012, and 2011, the Commonwealth of Kentucky contributed \$2,218,216, \$2,368,860, and \$2,260,108, respectively, KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ended June 30, 2013, 2012, and 2011 were \$535,607, \$437,204, and \$510,950, respectively.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **County Employee's Retirement System**

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly.

Funding for the plan is provided through payroll withholdings of 5.000% and a district contribution of 18.96% of the employee's total compensation subject to contribution. Members who were hired after September 1, 2008 are required to contribute 6.000% of their salaries to CERS. The District's contributions to CERS for the years ending June 30, 2013, 2012, and 2011 were \$1,127,155, \$855,748, and \$1,052,673, respectively, equal to the required contributions for the year.

The CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Rd., Frankfort, Kentucky, 40601, or by calling (502)564-4646.

### **NOTE 8 – CONTINGENCIES AND COMMITMENTS**

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the district for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the districts grant program is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has outstanding construction commitments of approximately \$1,566,567 at June 30, 2013. The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$90,000. This estimate is recorded because the payment is probable and reasonably estimable. The estimate is recorded as a noncurrent liability in the Statement of Net Position as it is not expected to be paid by June 30, 2014, and as an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence. The estimate is not recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances because the amount has not been billed and is not mature.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky Division of Unemployment Insurance; however, risk has not been transferred. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

During, 2013, the Kentucky School Boards Insurance Trust ceased to operate. The District's insurance coverage continued through June 30, 2013. However, as of July 1, 2013, the District was required to obtain insurance coverage from a commercial insurance company. Coverage was obtained from Liberty Mutual.

These public entity risk pools operate as common risk management and insurance program for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the district continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

### NOTE 10 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 11- ON-BEHALF PAYMENTS

For fiscal year 2013, the Commonwealth of Kentucky contributed payments on behalf of the Carter County School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 2,222,659
Health and Life Insurance Plans	4,837,185

### NOTE 12- DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. In addition, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Construction Fund	15,497,09
Debt Service	60,733
Food Service	22,199
Building Fund	7,709

### NOTE 13- LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

## **SUPPLEMENTARY INFORMATION**



**Carter County Schools  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

	<b>Capital Outlay Fund</b>	<b>Building Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Accounts receivable			
Taxes	-	-	-
Intergovernmental - state	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Inventories	-	-	-
Prepaid expenses	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Accrued payroll and related expenses	-	-	-
Current portion of accumulated sick leave	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>			
Assigned	-	-	-
Restricted	-	-	-
Non-spendable	-	-	-
Unassigned	-	-	-
Committed	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Carter County Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	<b>Capital Outlay</b>	<b>Building Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>			
From local sources			
Taxes	\$ -	\$ 946,574	\$ 946,574
Earnings on investments	-	-	-
Intergovernmental - state	419,164	2,092,366	2,511,530
Intergovernmental - federal	-	-	-
Other sources	-	-	-
Total revenues	<u>419,164</u>	<u>3,038,940</u>	<u>3,458,104</u>
<b>EXPENDITURES</b>			
Plant operation and maintenance	-	-	-
Facilities acquisition and construction	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>419,164</u>	<u>3,038,940</u>	<u>3,458,104</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of bonds	-	-	-
Transfers in	-	-	-
Transfers out	(419,164)	(3,046,649)	(3,465,813)
Total other financing sources and uses	<u>(419,164)</u>	<u>(3,046,649)</u>	<u>(3,465,813)</u>
Net change in fund balances	-	(7,709)	(7,709)
Fund balances - beginning		7,709	7,709
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CARTER COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY AND TRUST FUNDS**  
**For the Year Ended June 30, 2013**

	Cash Balances July 1, 2012	Receipts	Disbursements	Transfers	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013	Deposits Held in Custody for Students June 30, 2013
<b>ACTIVITY FUNDS:</b>									
East Carter High School	\$ 62,895	\$ 246,426	\$ 266,645	\$ -	\$ 42,676	\$ -	\$ 37	\$ -	\$ 42,639
West Carter High School	66,034	308,552	325,632	19	48,973	17,766	-	-	66,739
Carter Elementary School	1,988	7,880	5,409	-	4,459	-	-	-	4,459
Carter County Career Technical School	12,662	34,614	25,728	-	21,548	-	-	-	21,548
Heritage Elementary School	13,597	54,936	56,269	-	12,264	-	276	-	11,988
Olive Hill Elementary School	29,967	45,482	44,633	-	30,816	-	-	-	30,816
Prichard Elementary School	36,409	45,603	47,169	-	34,843	-	-	-	34,843
Star Elementary School	5,340	6,118	8,043	-	3,415	-	-	-	3,415
Upper Tygart Elementary School	9,864	47,738	39,169	(16)	18,417	-	138	-	18,279
East Middle School	49,673	151,653	146,571	-	54,755	-	160	-	54,595
West Middle School	33,312	120,602	119,796	-	34,118	-	-	-	34,118
	<u>321,741</u>	<u>1,069,604</u>	<u>1,085,064</u>	<u>3</u>	<u>306,284</u>	<u>17,766</u>	<u>611</u>	<u>-</u>	<u>323,439</u>
<b>TRUST FUNDS:</b>									
McDavid Hicks Scholarship	16,742	-	-	-	16,742	-	-	16,742	-
Hamilton Mem. Scholarship	122,171	-	-	-	122,171	-	-	122,171	-
McKenzie Mem. Scholarship	6,428	-	-	-	6,428	-	-	6,428	-
Samantha Holbrook Mem. Fund	182	-	-	-	182	-	-	182	-
Thompson K. Bonzo Estate	10,911	38	-	(19)	10,930	-	-	10,930	-
John "Hop" Brown Scholarship	27,918	80	-	-	27,998	-	-	27,998	-
Bill Ticknor Mem. Camp	2,360	-	-	-	2,360	-	-	2,360	-
Peggy Owens Mem. Fund	(16)	83	65	16	18	-	-	18	-
Sandy Clayton Mem. Fund	71	-	-	-	71	-	-	71	-
	<u>186,767</u>	<u>201</u>	<u>65</u>	<u>(3)</u>	<u>186,900</u>	<u>-</u>	<u>-</u>	<u>186,900</u>	<u>-</u>
<b>TOTAL SCHOOL ACTIVITY AND TRUST FUNDS</b>	<u>\$ 508,946</u>	<u>\$ 1,069,805</u>	<u>\$ 1,085,129</u>	<u>\$ -</u>	<u>\$ 493,184</u>	<u>\$ 17,766</u>	<u>\$ 611</u>	<u>\$ 186,900</u>	<u>\$ 323,439</u>

**CARTER COUNTY SCHOOL DISTRICT  
EAST CARTER HIGH SCHOOL  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)  
For the Year Ended June 30, 2013**

	Cash Balance July 1, 2012	Receipts	Disbursements	Transfers	Cash Balance June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Deposits Held in Custody For Students June 30, 2013
<b>ACCOUNTS:</b>								
4-H CLUB	\$ 389	\$ -	\$ -	\$ -	\$ 389	\$ -	\$ -	\$ 389
ACADEMIC CLUB	40	-	-	-	40	-	-	40
ADVANCE P.E.	33	-	-	-	33	-	-	33
ART CLUB	228	155	-	-	383	-	-	383
BAND	-	603	(603)	-	-	-	-	-
BETA CLUB	1,168	1,356	(2,213)	-	311	-	-	311
JR BETA CLUB	-	9,174	(6,227)	-	2,947	-	-	2,947
CENTRAL	12,153	6,724	(12,286)	(2,503)	4,088	-	-	4,088
CHORUS	1,358	3,256	(4,397)	-	217	-	-	217
CULINARY ART	477	-	-	-	477	-	-	477
DRAMA CLUB	55	222	(148)	-	129	-	-	129
FBLA	41	12,005	(11,899)	-	147	-	-	147
FCA	43	-	-	-	43	-	-	43
FCCLA	-	1,384	(1,163)	-	221	-	-	221
FFA	123	5,849	(6,325)	426	73	-	-	73
FMD	1,477	736	(686)	-	1,527	-	-	1,527
FRENCH ACCOUNT	34	2,024	(1,978)	-	80	-	-	80
FEA	-	110	-	-	110	-	-	110
GUIDANCE	314	257	(246)	-	325	-	-	325
JAMES E. RILEY ART AWARD	695	-	-	-	695	-	-	695
JROTC	298	8,821	(8,819)	(300)	-	-	-	-
KY JR HISTORICAL SOCIETY	207	-	-	-	207	-	-	207
LIBRARY	402	170	(240)	-	332	-	-	332
MATH DEPT	600	60	-	-	660	-	-	660
PARKING FEE ACCOUNT	2,823	1,150	(3,647)	-	326	-	-	326
PHYSICS CLUB	142	-	-	-	142	-	-	142
RAIDER NEWSPAPER	131	-	-	-	131	-	-	131
ARCHERY	1,355	2,553	(2,178)	-	1,730	-	-	1,730
SCIENCE CLUB	532	20	-	-	552	-	-	552
SENIOR FAREWELL	289	25,634	(26,745)	839	17	-	-	17
STUDENT COUNCIL	23	9,489	(9,298)	-	214	-	-	214
TEACHERS LOUNGE	875	1,928	(2,655)	-	148	-	37	111
TEXTBOOKS	1,527	-	(528)	-	999	-	-	999
WEIRD SCIENCE	1,123	-	-	-	1,123	-	-	1,123
YEARBOOK	9,558	3,686	(10,339)	-	2,905	-	-	2,905
SPECIAL ED RESOURCE	188	100	(284)	-	4	-	-	4
CLASS OF 2010	273	-	-	-	273	-	-	273
CLASS OF 2011	248	-	(125)	-	123	-	-	123
AWARD ACCOUNT	1,080	1,021	(1,593)	-	508	-	-	508
COMPUTER LAB	60	-	-	-	60	-	-	60
HOSPITALITY SERVICES	27	5	-	-	32	-	-	32
HEALTH & P.E.	1,529	-	(440)	-	1,089	-	-	1,089
AP CLASS	2,837	2,530	(2,433)	-	2,934	-	-	2,934
ENTREPRENEURSHIP CLASS	544	-	(199)	-	345	-	-	345
DECA	383	-	-	-	383	-	-	383
EMBROIDERY DESIGNS	20	-	-	-	20	-	-	20
CLASS OF 2013	3,716	2,853	(7,509)	940	-	-	-	-
CLASS OF 2014	1,625	8,027	(6,222)	-	3,430	-	-	3,430
CLASS OF 2015	-	1,528	(919)	-	609	-	-	609
SP ED LIFE SKILLS CLASS	50	-	-	-	50	-	-	50
ATHLETICS	400	20,119	(7,480)	(12,893)	146	-	-	146
BASEBALL	5	8,085	(15,191)	7,101	-	-	-	-
BASKETBALL-BOYS	-	1,943	(8,553)	6,610	-	-	-	-
BASKETBALL-GIRLS	-	13,752	(16,000)	2,248	-	-	-	-
CHEERLEADERS	-	4,185	(4,185)	-	-	-	-	-

**CARTER COUNTY SCHOOL DISTRICT  
EAST CARTER HIGH SCHOOL**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONCLUDED)  
For the Year Ended June 30, 2013**

	<b>Cash Balance July 1, 2012</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers</b>	<b>Cash Balance June 30, 2013</b>	<b>Accounts Receivable June 30, 2013</b>	<b>Accounts Payable June 30, 2013</b>	<b>Deposits Held in Custody For Students June 30, 2013</b>
<b>ACCOUNTS:</b>								
CROSS COUNTRY	1,634	1,635	(2,519)	-	750	-	-	750
DISTRICT BASEBALL	-	13,376	(9,126)	(4,250)	-	-	-	-
DISTRICT BASKETBALL	-	-	-	-	-	-	-	-
DISTRICT SOCCER TOURN	-	-	-	-	-	-	-	-
DISTRICT SOFTBALL	-	-	-	-	-	-	-	-
DISTRICT VOLLEYBALL	-	496	-	(496)	-	-	-	-
EKC TOURNAMENT-EAST	-	1,325	(1,300)	(25)	-	-	-	-
FOOTBALL	-	22,021	(32,353)	10,332	-	-	-	-
GOLF-BOYS	1,797	2,481	(3,449)	-	829	-	-	829
GOLF-GIRLS	1,900	2,481	(2,102)	-	2,279	-	-	2,279
GRID-A-RAMA	-	4,369	(4,369)	-	-	-	-	-
REGIONAL BASEBALL	-	5,925	(1,607)	(4,318)	-	-	-	-
REGIONAL BASKETBALL	-	-	-	-	-	-	-	-
REGIONAL SOFTBALL	-	-	-	-	-	-	-	-
SOCCER-BOYS	1,131	9,673	(5,873)	(4,850)	81	-	-	81
SOCCER-GIRLS	1	5,302	(4,118)	(551)	634	-	-	634
SOFTBALL	1,863	5,531	(5,790)	1,318	2,922	-	-	2,922
SPORTS MEDICINE	470	-	-	-	470	-	-	470
TENNIS	900	1,488	(1,466)	-	922	-	-	922
TRACK-BOYS	867	1,832	(1,683)	-	1,016	-	-	1,016
TRACK-GIRLS	384	1,832	(1,814)	-	402	-	-	402
VOLLEYBALL-GIRLS	450	5,145	(5,323)	372	644	-	-	644
REGIONAL VOLLEYBALL	-	-	-	-	-	-	-	-
DISTRICT FOOTBALL	-	-	-	-	-	-	-	-
	<u>\$ 62,895</u>	<u>\$ 246,426</u>	<u>\$ (266,645)</u>	<u>\$ -</u>	<u>\$ 42,676</u>	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 42,639</u>

**CARTER COUNTY SCHOOL DISTRICT  
WEST CARTER HIGH SCHOOL  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
June 30, 2013**

	Cash Balance June 30, 2012	Receipts	Disbursements	Transfer	Cash Balance June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Deposits Held in Custody For Students June 30, 2013
<b>ACCOUNTS:</b>								
4-H CLUB	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ACADEMIC CLUB	544	1,185	(1,950)	250	29	-	-	29
ART	-	161	(96)	-	65	-	-	65
BAND	907	75	(720)	-	262	-	-	262
BETA CLUB	-	2,501	(2,503)	25	23	-	-	23
BUSINESS DEPT	-	-	-	-	-	-	-	-
CADET ACCOUNT	684	560	(754)	-	490	-	-	490
CENTRAL	710	4,240	(4,561)	(335)	54	-	-	54
CHORUS	27	-	-	-	27	-	-	27
DRAMA CLUB	-	-	-	-	-	-	-	-
ENVIRONMENTAL CLUB	-	-	-	-	-	-	-	-
FBLA	487	1,140	(1,370)	-	257	-	-	257
FCA	214	-	-	-	214	-	-	214
FCCLA	-	1,079	(927)	-	152	-	-	152
FFA	45,218	93,741	(108,527)	-	30,432	-	-	30,432
FMD	-	-	-	-	-	-	-	-
FEA	-	-	-	-	-	-	-	-
GIFTED NY	-	-	-	-	-	-	-	-
GUIDANCE	25	3,071	(2,775)	-	321	-	-	321
HOME ECONOMICS	-	-	-	-	-	-	-	-
JOURNALISM	161	1,545	(1,730)	24	-	-	-	-
KUNA	-	7,338	(9,455)	-	(2,117)	2,117	-	-
KY JR HISTORICAL SOCIETY	-	-	-	-	-	-	-	-
LIBRARY	-	3,518	(3,675)	157	-	-	-	-
MATH DEPT	62	-	(83)	21	-	-	-	-
PEER LISTENERS	-	-	-	-	-	-	-	-
PEP CLUB	-	725	(817)	-	(92)	92	-	-
PROM ACCOUNT	1,134	-	(1,982)	2,100	1,252	-	-	1,252
SEEK CLUB	45	-	-	-	45	-	-	45
SENIOR FAREWELL	-	21,700	(21,716)	-	(16)	16	-	-
SPANISH CLUB	1,481	5,715	(6,194)	-	1,002	-	-	1,002
TEACHERS LOUNGE	39	203	(262)	20	-	-	-	-
TEXTBOOKS	821	-	-	-	821	-	-	821
YEARBOOK	774	5,320	(2,500)	-	3,594	-	-	3,594
SPECIAL ED	165	-	(165)	-	-	-	-	-
BIOLOGY CLUB	-	2,248	(1,316)	-	932	-	-	932
CLASS OF 2010	-	-	-	-	-	-	-	-
CLASS OF 2011	-	-	-	-	-	-	-	-
CLASS OF 2012	-	360	(360)	-	-	-	-	-
AP CLUB	294	1,730	(698)	-	1,326	-	-	1,326
16th REGION PRINCIPALS	1,149	700	(500)	-	1,349	-	-	1,349
KHSAA CHEER	-	11,390	(10,348)	-	1,042	-	-	1,042
CLASS OF 2013	1,923	6,323	(5,537)	(1,200)	1,509	-	-	1,509
CLASS OF 2014	1,327	5,409	(512)	184	6,408	-	-	6,408
CLASS OF 2015	2,710	2,661	-	(2,596)	2,775	-	-	2,775
CLASS OF 2016	-	3,255	(3,465)	1,512	1,302	-	-	1,302
ATHLETICS	-	500	(321)	(1)	178	-	-	178
BASEBALL	(1,154)	7,832	(10,277)	-	(3,599)	3,599	-	0
BASKETBALL-BOYS	(1,101)	20,811	(13,592)	-	6,118	-	-	6,118
BASKETBALL-GIRLS	2,455	13,168	(14,864)	-	759	-	-	759
CHEERLEADERS	-	800	(801)	1	-	-	-	-
CROSS COUNTRY	-	500	(198)	-	302	-	-	302
DISTRICT BASEBALL	-	1,119	(1,202)	-	(83)	83	-	-
DISTRICT BASKETBALL	-	-	-	-	-	-	-	-
DISTRICT SOCCER	-	-	-	-	-	-	-	-
DISTRICT SOFTBALL	-	2,045	(2,045)	-	-	-	-	-
DISTRICT VOLLEYBALL	-	-	-	-	-	-	-	-
EKC TOURNAMENT-WEST	-	-	-	-	-	-	-	-
FOOTBALL	56	28,438	(36,764)	-	(8,270)	8,270	-	-
GOLF-BOYS	9	1,000	(1,215)	-	(206)	260	-	54
GOLF-GIRLS	-	1,000	(835)	-	165	-	-	165
GRID-A-RAMA	-	-	-	-	-	-	-	-
REGIONAL BASKETBALL	-	-	-	-	-	-	-	-
REGIONAL SOFTBALL TOURN	-	3,875	(2,267)	(1,608)	-	-	-	-
SOCCER-BOYS	-	3,727	(3,528)	-	199	-	-	199
SOCCER-GIRLS	219	3,527	(3,747)	-	(1)	1	-	-
SOFTBALL	-	10,358	(10,404)	45	(1)	1	-	-
SPORTS MEDICINE	651	500	(882)	-	269	-	-	269
TENNIS	594	1,515	(3,180)	-	(1,071)	1,071	-	-
TRACK-BOYS	524	3,419	(6,199)	-	(2,256)	2,256	-	-
VOLLEYBALL-GIRLS	-	9,760	(10,426)	1,607	941	-	-	941
ARCHERY TEAM	966	5,419	(5,275)	-	1,110	-	-	1,110
WCYSC	1,759	921	(1,603)	(187)	890	-	-	890
DEARFIELD	155	425	(509)	-	71	-	-	71
	\$ 66,034	\$ 308,552	\$ (325,632)	\$ 19	\$ 48,973	\$ 17,766	\$ -	\$ 66,739

Carter County Schools  
Schedule of Federal Awards  
Year Ended June 30, 2013

<u>Federal Grantor/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Program Expenditures</u>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
Passed through Kentucky Department of Education:			
Child Nutrition Clusters:			
Cash Assistance:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	7750002 12	\$ 320,723
NATIONAL SCHOOL LUNCH PROGRAM	10.555	7750002 13	1,221,359
NATIONAL SCHOOL BREAKFAST PROGRAM	10.553	7760005 12	112,106
NATIONAL SCHOOL BREAKFAST PROGRAM	10.553	7760005 13	431,412
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	7690024 12	2,329
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	7740023 11	22,384
Cash Assistance Subtotal			<u>2,110,313</u>
Non-Cash Assistance (Food Distribution):			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	7760005 12	154,729
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u><b>2,265,042</b></u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
Passed through State Department of Education:			
APPALACHIAN HIGHER EDUCATION NETWORK	23.011	6881	3,408
TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100002 11	126,313
TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100002 12	1,623,695
TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100202 10	22,780
TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100202 11	100,952
			<u>1,873,740</u>
Special Education Cluster (IDEA)			
SPECIAL EDUCATION GRANTS TO STATES-IDEA	84.027	3810002 11	352,952
SPECIAL EDUCATION GRANTS TO STATES-IDEA	84.027	3810002 11	838,380
SPECIAL ED- PRESCHOOL	84.173	3800002 11	5,123
SPECIAL ED- PRESCHOOL	84.173	3800002 11	56,201
			<u>1,252,656</u>
CAREER AND TECHNICAL EDUCATION	84.048	4621032 09	10,037
CAREER AND TECHNICAL EDUCATION	84.048	4621110 10	664
CAREER AND TECHNICAL EDUCATION	84.048	4621132 10	33,884
			<u>44,585</u>
RURAL EDUCATION	84.358	3410002 09	89,884
			<u>89,884</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	3230002 10	59,806
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	3230002 11	336,737
			<u>396,543</u>
SCHOOL IMPROVEMENT	84.377	3100302 11	574,650
RACE TO THE TOP	84.413	3960002 11	29,771
ARRA-SCHOOL IMPROVEMENT	84.388A	4100302 09	325,599
EDUJOBS	84.410	EJOB00 10	8,975
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u><b>4,596,403</b></u>

**Carter County Schools**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**Year Ended June 30, 2013**

<u>Federal Grantor/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Program Expenditures</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Direct Program			
ROTC	12.000	ROTC	114,893
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>114,893</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 6,976,338</u></u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Carter County School District under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Carter County School District, it is not intended and does not present the financial position, and changes in net position or cash flows of the District.

**NOTE B- SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.



DONALD R. GOSSETT & COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORTT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Carter County School District  
Grayson, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Auditing Requirements, Appendix II of the independent Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carter County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Carter County School District's basic financial statements, and have issued my report thereon dated November 15, 2013.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Carter County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carter County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Carter County School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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P.O. BOX 112  
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My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Carter County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Donald R. Gossett*

Donald R. Gossett & Company, LLC  
Certified Public Accountant

Ironton, Ohio  
November 15, 2013

DONALD R. GOSSETT & COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB  
CIRCULAR A-133**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Carter County School District  
Grayson, Kentucky

**Report on Compliance for Each Major Federal Program**

I have audited the Carter County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Carter County School District's major federal programs for the year ended June 30, 2013. Carter County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contract, and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Carter County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carter County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Carter County School District's compliance.

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## **Opinion on Each Major Federal Program**

In my opinion, Carter County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of Carter County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Carter County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Carter County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Donald R. Gossett & Company, LLC*

Donald R. Gossett & Company, LLC  
Certified Public Accountant

Ironton, Ohio  
November 15, 2013

**CARTER COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Carter County School District.
2. Significant deficiency (ies) identified that are not considered to be material weaknesses:  
**None reported.**
3. Instances of noncompliance material to the financial statements of Carter County School Districts: **None were disclosed during the audit.**
4. Significant deficiency in internal control over major federal award programs: **None reported.**
5. An unqualified opinion was issued on compliance over major programs.
6. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133: **None reported.**
7. The programs tested as major programs included:  

Title One (84.010)  
School Improvement (84.377, 84.388A)
8. The dollar threshold used for distinguishing Types A and B programs was \$300,000.
9. The Carter County School District was determined to be low-risk auditee.

**B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

The audit did not disclose any audit findings related to the financial statements.

**C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

The audit did not disclose any audit finding related to federal awards.

**CARTER COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2013**

None noted in prior year.

**CARTER COUNTY SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2013**

There were no findings requiring corrective action.

District contact person:

Jerry A. Lyons, Financial Officer  
Carter County Schools  
228 South Carol Malone Blvd.  
Grayson, Kentucky 41143  
(606) 474-6696  
EIN- 61-6001284

Name and address of Independent  
Accounting firm:

Donald R. Gossett & Company, LLC  
Certified Public Accountant  
PO Box 112  
Ironton, Ohio 45638  
(740)646-0774  
EIN-26-2520608

DONALD R. GOSSETT & COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANT

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Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Carter County Board of Education  
Grayson, Kentucky

In planning and performing my audit of the financial statements of Carter County School District (the "District") for the year ended June 30, 2013, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements. My professional standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. I feel that the District's financial statements are free of material misstatement.

In addition, I have reviewed recommendations made by the prior audit in the audit report for the year ended June 30, 2012, and I have reviewed management's responses to those recommendations. My findings based upon those prior year recommendations are also summarized below.

Prior Year Recommendation:

During the audit, it was noted that there was several instances where school activity funds had a deficit balance at the end of the school year. According to KRS 160.550, no school activity fund shall end the fiscal year (June 30) or begin a fiscal year (July 1) with a deficit balance. Management stated that this was an oversight and would be corrected immediately.

Current Year Finding and Recommendation:

Personnel Files

1. Files did not always contain a check list of required documents considered necessary to support proper employment history and demonstrate compliance with applicable state and federal employment law.
2. In situations where the District hired certified employees from other districts employment verification did not include a statement that criminal background checks had been conducted within the six month period prior to hire dates by the verifying districts.
3. Files did not always contain fully completed I9 Forms. Employee information and employee signature from District personnel authorized to oversee the intake process.
4. W4 Forms were present for every employee file tested, however these forms were also used as employee authorization for state withholding where states required all employees to use state withholding forms.

I recommend the District develop standard employment file checklists for both certified and classified employees that list all required documents necessary to demonstrate compliance with federal and state law and local ordinances. Additionally, the District should have an employee independent of the human



resources department conduct routine audits of employee files to ensure compliance with District Policies.

#### Activity Funds

Activity Funds of East Carter High School, West Carter High School, West Carter Middle School and Carter County Career and Technical School were selected for testing. The results of these tests indicated common Redbook deficiencies for all schools selected. Although supporting documentation for receipts and disbursements was deemed adequate, deficiencies were noted with regard to use of prescribed forms, authorized signature for approvals, missing signatures of approval and timeliness of fundraising events deposits.

I recommend the District conduct annual Redbook training for all school employees associated with school activity funds. Additionally, the District should designate a qualified administrative staff member to monitor school activity funds throughout the school year for compliance with District Policy and Redbook requirements.

I will review the status of my findings during my next audit engagement. I have already discussed these comments and suggestions with various District personnel, and I will be pleased to discuss them in further detail at your convenience, to perform an additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

*Donald R. Gossett & Company, LLC*

Donald R. Gossett & Company, LLC  
Certified Public Accountant

Ironton, Ohio  
November 15, 2013

DONALD R. GOSSETT & COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANT

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Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Carter County Board of Education  
Grayson, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carter County School District for the year ended June 30, 2013. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated April 5, 2013. Professional standards also require that I communicate to you the following information related to my audit.

Significant Auditing Findings:

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carter County School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. I evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management corrected all such misstatements. In addition, none of the misstatements

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in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

#### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated November 15, 2013.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were not such consultations with other accountants.

#### *Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

#### *Other Matters*

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Carter County School District and management of Carter County School District and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

*Donald R. Gossett & Company, LLC*

Donald R. Gossett & Company, LLC  
Certified Public Accountant  
Ironton, Ohio  
November 15, 2013